

CHAPTER 125. EVALUATION OF AIR CARRIER'S MANAGEMENT OF SIGNIFICANT CHANGES

SECTION 1. BACKGROUND

1. PROGRAM TRACKING AND REPORTING SUBSYSTEM (PTRS) ACTIVITY CODES AND AIR TRANSPORTATION OVERSIGHT SYSTEM (ATOS) REPORTING.

A. ATOS Reporting. All surveillance elements are to be documented in accordance with (IAW) appendix 6 of Federal Aviation Administration (FAA) Order 8400.10, Air Transportation Operations Inspectors' Handbook.

B. Non-ATOS Air Carrier Reporting. All inspection activities are to be documented IAW the PTRS procedures manual (PPM).

2. OBJECTIVE.

A. This chapter provides guidance concerning oversight of Title 14 Code of Federal Regulations (14 CFR) part 121 air carriers during significant changes in the operating environment that may affect the carrier's ability to balance resources, size, and organizational structure with operational requirements. Examples of conditions that reflect these imbalances include:

- Financial distress
- Change in the scope and scale of air carrier operations (growth or downsizing)
- Labor unrest

B. This chapter contains procedures for evaluating an air carrier's ability to manage these types of changes.

3. GENERAL. The current air carrier environment has become extremely complex and dynamic. Air carriers must continually seek a critical balance between markets, resources, and operations in order to remain viable. This leads to almost continuous change, with many periods of transition while these companies adapt to different arrangements for procuring and allocating resources and managing operations. During these transition periods, the carrier

may knowingly or unknowingly accept, or even generate, an undesirable level of safety risk. These transition periods place additional responsibility on Flight Standards personnel to anticipate the potential risks, to evaluate the likelihood and severity of these risks, and to ensure that the carrier is appropriately managing these risks consistent with the changing conditions.

A. Action. Managers of 14 CFR part 121 certificate-holding district offices (CHDO) must require appropriate personnel to evaluate an air carrier's ability to manage significant changes in its operating environment when indicated by the triggers described below and in accordance with the instructions in Figures 125-2 and 125-3. The types of operating environment changes referred to in this chapter are caused by conditions that significantly alter the balance between resources and operations.

- Resources include the air carrier's ability to meet its financial obligations, the number of aircraft or fleet types it operates, its organizational structure, and/or the availability of key personnel and labor.
- Operations include the ability of an air carrier's operations and maintenance organizations to meet the demands of the air carrier's flight schedule in a profitable way. Problems are more likely to occur when there are insufficient or improperly managed resources to meet operational requirements.

(1) Evaluation Process. Section 2 outlines a process for evaluation of an air carrier's management of significant change. CHDO managers will require appropriate personnel to use this process to help determine the need for further actions, including, where necessary, retargeting surveillance plans or using the Surveillance and Evaluation Program (SEP) or ATOS Risk Management Process (RMP) to develop corrective action plans. Figures 125-2 and

125-3 provide decision aids to help in the evaluation process.

(2) *Information Sources and Triggers.* CHDO managers should refer to the information in this chapter whenever they become aware, whether through formal notification or through informal channels, of conditions or indicators of changes in the air carrier's ability to balance resources and operational requirements. Examples of formal notification include documentation received from the air carrier or other appropriate agencies (Security and Exchange Commission, courts, banks, creditors, etc.). Examples of informal channels include information obtained from air carrier meetings or correspondence, conversations with knowledgeable air carrier personnel, press or industry publications, or any other credible sources that raise concerns about the air carrier's ability to balance resources and operational requirements. Whenever these conditions are evident or suspected, the assessment process outlined in Section 2 should be completed.

(3) *Air Carrier Meetings.* FAA inspectors and/or office managers must participate in periodic meetings with their air carrier to stay informed on the carrier's financial health and growth plans, or other conditions that might cause an imbalance between resources and operations. These periodic meetings are among the best informal sources of information about where the carrier is headed. If information gathered in these meetings raises concerns over imbalances between resources and operations, office managers will require the use of the evaluation process described in Section 2.

(4) *Indicators of Change.* CHDO managers should not wait for formal notification of a problem before taking action to identify potential risks. Often, the safety impact has already occurred by the time the problem is formally announced (e.g., declaration of bankruptcy). It is necessary to evaluate the potential for problems before such a formal declaration by reviewing leading indicators. Leading indicators are observable conditions or events which tend to exist before the inability to balance resources and operational requirements has occurred. By evaluating these leading indicators, it is possible to determine the potential for risk and to prompt the air carrier to take action to avert the safety impacts of the imbalance of resources and operational requirements.

(a) *Leading Indicators.*

1. Leading indicators of such a condition could be significant changes in the competition along key routes or changes in costs or pricing policies. Leading indicators are those observations that may indicate that organizational changes are occurring but where readily observable problems may not yet have surfaced. The situations may not be problematic in and of themselves, but they may be sufficient reason for inspectors to conduct more in-depth inquiries or conduct targeted surveillance.

2. Other examples of leading indicators include:

- Changes in support staff positions such as quality control, analysis, training development or middle management
- Departmental realignments or reorganizations
- Shifts in contractors or contractual arrangements
- Noticeable turnover of personnel
- Changes in experience, training, or proficiency of personnel

3. While any of these changes may be the result of normal courses of business, they could have impacts on procedures, lines of communication, organizational and supervisory controls, external and internal interfaces, and organizational cultures. Inspectors should, therefore, be aware of possible impacts on safety of operations.

(b) *Lagging Indicators.*

1. While leading indicators are preferable, sometimes such warning may not be available or may not be noticed. In that case, lagging indicators must be used. These are conditions or events that develop after the inability to balance resources and operational requirements has occurred.

2. Examples of lagging indicators include:

- Non-payment of debts or expenses
- Significant shifts in stock prices due to investor concerns
- Adverse changes in the credit rating of the air carrier
- Declaration of bankruptcy

3. When lagging indicators such as these occur, inspectors should evaluate the overall air carrier's ability to mitigate the safety impacts of these changing conditions. Actions may include targeted surveillance or revalidation of affected programs.

(c) General Stressors.

1. In some cases, the need to evaluate an air carrier's ability to manage change may not arise from a single trigger. Instead, a combination or series of events may place the air carrier in a stressed environment that could have safety impacts.

2. Examples of single events, that, in isolation or taken together, may indicate the potential for risk include:

- Labor unrest, difficult contract negotiations, work slowdown
- Merger/takeover, change in corporate structure, personnel, or culture
- Competition changes in key routes
- Changes or reductions in the workforce, significant layoffs or retirement buyouts
- Changes in operational control systems
- Changes in program or subsystems that are part of the operational control system
- Continuing Analysis and Surveillance System (CASS) reveals a rising trend in

deficiencies in the performance and effectiveness of inspection, maintenance, preventive maintenance, or alteration programs

- Revisions to operational procedures manuals
- Revisions to maintenance and inspection program procedures manuals
- Requests for changes in training programs
- Changes in aircraft equipment and/or parts inventories
- Reduction in route structure and/or flight schedules
- Reduction of line station and/or maintenance bases
- Changes in substantial maintenance contracts
- Increase in repeat maintenance logbook discrepancies
- Increases in short-term escalations
- Increase in the number of minimum equipment lists (MEL) deferrals
- Increase in the number of extensions to FAA MEL requests
- Delays in meeting payrolls
- Increase in the frequency of complaints against the operator
- Media reports of an airline financial difficulty

3. The above conditions include both leading and lagging indicators. While any single condition mentioned above may not produce the

imbalance of resources and operational requirements discussed in this document, taken in combination they could lead to significant safety risks.

(5) Assessments of Specific Conditions.
Figures 125-2 and 125-3 contain decision aids to assess the condition of carriers with respect to

financial distress and significant growth or downsizing. CHDO personnel need to apply their own knowledge of the carrier along with their assessment as to the prevalence and magnitude of the issues in the lists given in these figures. The decision aids are designed to assist in these assessments and subsequent action planning.

SECTION 2. PROCEDURES

1. PREREQUISITES AND COORDINATION REQUIREMENTS.

A. Prerequisites (*Inspector Qualifications*):

- Knowledge of the regulatory requirements of 14 CFR parts 119 and 121
- Successful completion of the General Aviation/Air Carrier Aviation Safety Inspector's Indoctrination course, or previous equivalent.
- Experience with the involved operation
- Knowledge of the equipment involved

B. *Coordination.* This task requires coordination with the CHDO, regional offices, AFS-200, AFS-300, and AFS-900.

2. REFERENCES, FORMS, AND JOB AIDS.

A. References:

- 14 CFR parts 119 and 121
- FAA Order 8400.10, Appendix 6, Air Transportation Oversight System

B. Forms. None.

C. Job Aids:

- Figure 125-1, Oversight of Change Management--Process Map
- Figure 125-2, Financial Condition Assessment Decision Aid
- Figure 125-3, Rapid Growth/Downsizing Assessment Decision Aid

3. ORGANIZATIONAL ASSESSMENT. This section provides guidance to CHDO managers on when to require use of the Financial Condition Assessment Decision Aid and the Rapid Growth/Downsizing Assessment Decision Aid, and how to process the results of these tools. These decision aids will provide insight about the likelihood that an air carrier will experience safety risk due to the misalignment of resources and operational requirements as experienced during times of significant change. Financial distress and

extraordinary growth or downsizing are examples of this type of change. This process is depicted in the process map in Figure 125-1.

4. RESPONSIBILITIES.

A. *Flight Standards Headquarters.* Flight Standards headquarters division managers (specifically AFS-200, AFS-300, and AFS-900) are responsible for maintaining an awareness of significant change management risks being experienced by the nation's air carriers, and for ensuring appropriate adjustments of Flight Standards resources are made to address these risks.

B. *Regional Divisions.* Regional division managers are responsible for maintaining an awareness of the change management risks inherent in the carriers in their region, and for ensuring appropriate adjustments of regional resources are made to address these risks. This awareness is developed by review of the information provided by the CHDO managers and principal inspectors (PI) in their region. Regional divisions must comply with the reporting requirements.

C. *CHDO Manager and PI.* The CHDO manager and PI are responsible for deciding how to anticipate or respond to air carrier risks, and for identifying what information they need to make these decisions. When faced with a potential imbalance of air carrier resources and operational requirements, these participants must decide if there is a critical problem that must be handled immediately, and if these problems warrant adjustment of surveillance to allow the CHDO to focus on the most critical risks. CHDO managers and PIs should consider information from all credible/relevant sources. CHDO managers and PIs must comply with the reporting requirements.

(1) *Aviation Safety Inspectors (ASIs).* CHDO ASIs support these decision-makers by providing insight into the air carrier's status and communicating their concerns to the decision-makers. ASIs also complete surveillance plans and action plans generated by the SEP and ATOS RMP. The ATOS Risk Indicators also provide the option and guidance to the inspector to use there decision aids anytime the ACAT is being prepared by standard assessment of the Risk Indicators.

(2) *Air Carrier.* The air carrier is a participant in this process as the overseen entity, but also as potential source of information that could trigger the need to complete the evaluation process.

(3) *External Information Sources.* This generic description covers a wide range of organizations or people that could provide information used to assess the degree of financial or other stress on an air carrier and to evaluate the carrier's ability to manage change. External organizations could be anyone other than the CHDO or the air carrier such as the Securities and Exchange Commission, banks, creditors, commercial and government publications, commercial sources of financial data, government sources of safety data (e.g., Safety Performance Analysis System (SPAS)), or any other entity that provides information to the office manager or PI about the status of the air carrier.

5. PROCESS PROCEDURES

A. Initiate Process. The CHDO manager initiates the air carrier change management evaluation process based on the triggers listed below.

(1) *Process Triggers.* There are four potential means of starting this process: leading indicators, lagging indicators, informal notification and formal notification. Each is described below.

(a) *Leading/Lagging Indicators.* These indicators are detectable conditions that result from the imbalance of resources and operational requirements. Leading indicators are observable conditions or events that tend to exist before the inability to balance resources and operational requirements has occurred. Leading indicators provide some sort of advance notice that, if left unchecked, the imbalance is likely to occur. Examples of leading indicators include significant changes in the competition along key routes, changes in costs, or pricing policies. Lagging indicators are observable conditions or events that are detectable only after the imbalance condition has occurred. They may or may not indicate the presence of safety risks. Examples of lagging indicators include chronic non-payment of debt or declaration of bankruptcy.

(b) *Informal Notification.* Informal notification includes any non-formal notification that makes the CHDO aware of the actual or potential imbalance of resources and operational requirements. Examples of informal notification may include

information gathered at an air carrier meeting, discussion with air carrier personnel, articles in trade or government publications, etc. While not formal notification, these may oftentimes be more valuable since they can allow the CHDO to anticipate the imbalance condition and prompt the air carrier to take action before it leads to a safety risk.

(c) *Formal Notification.* Formal notification is any legal or otherwise official notice that the air carrier is undergoing an imbalance between resources and operational requirements. Examples of this include declaration of bankruptcy, application for merger with or acquisition by another air carrier, request for modification to its operations specifications to allow the addition of new fleets or additional routes, etc. Typically, formal notification is too late to enable the CHDO to anticipate the potential for risk.

(d) *Policy or Instructions.* Accomplishment of the Financial Condition Assessment Decision Aid and the Rapid Growth/Downsizing Assessment Decision Aid may be initiated by an order or request sent to the CHDO by someone in the AFS/AVS/FAA chain-of-command. Use of these decision aids may also be directed by a policy in guidance material such as a requirement to evaluate the air carrier's financial status before doing a periodic update of the Air Carrier Assessment Tool (ACAT) and Comprehensive Surveillance Plan (CSP).

(2) *Recognize Concern and Communicate Concerns.* Realization by PIs or ASIs that an imbalance exists between resources and the operational requirements must be communicated to the CHDO manager immediately.

B. Use of the Financial Condition Assessment Decision Aid. Use the Financial Condition Assessment Decision Aid (Figure 125-2) to evaluate the degree of financial distress being experienced by the air carrier. The decision aid requires the user to match the air carrier's condition or characteristics with a series of word pictures that address several dimensions. Each dimension results in a score that, when taken together, produces a scoring range from low to high.

C. Use of the Rapid Growth/Downsizing Assessment Decision Aid. Use the Rapid Growth/Downsizing Assessment Decision Aid (Figure 125-3) to evaluate the degree of growth or downsizing being experienced by the air carrier. The decision aid requires the user to match the air carrier's

condition or characteristics with a series of word pictures that address several dimensions. Each dimension results in a score that, when taken together, produces a scoring range from low to high.

D. Evaluate Decision Aid Assessment Scores. The score of the Financial Condition Assessment Decision Aid and/or the Rapid Growth/Downsizing Assessment Decision Aid reflects the relative degree of risk being experienced by the air carrier as a result of the imbalance between resources and operational requirements. Decision aid scores are used to determine the action to take to prompt the air carrier to manage the risk appropriately, and whether or not retargeting of surveillance is necessary to validate air carrier performance in identified areas of risk. If the decision aid score is high, a relatively low level of risk is indicated and the existing surveillance program should be continued. However, if particular areas of concern exist, then they must be addressed. A score in the moderate range indicates a moderate level of risk. The surveillance plan should be retargeted based on the applicable risk indicators. A low score reflects a relatively high level of risk, requiring initiation of the SEP or ATOS RMP.

(1) Initiate RMP. Decision aid scores indicating a high level of risk require initiation of the RMP that targets the specific risks generated by the imbalance of resources and operational requirements and creates an action plan. The action plan generated by the RMP will be tracked and closed by the PI.

(2) Retarget Surveillance. Decision aid scores indicating a moderate level of risk require surveillance plans to be retargeted. Complete an ACAT or Surveillance Evaluation Assessment Tool (SEAT) to develop a surveillance plan that concentrates on the elevated risk areas and that balances the need to validate performance in those areas against priorities for performance validation in other areas of the surveillance plan.

(3) Continue Current Surveillance Program. Decision aid scores that indicate a low level of risk do not require any immediate actions, other than to continue the planned surveillance program to monitor the carrier's condition and to address any particular issues of concern if they exist.

(4) Other Changes in the Operating Environment. The Air Carrier Change Management

Assessment Process may be triggered by changes such as labor unrest that are not applicable to the Financial Condition Assessment or the Rapid Growth/Downsizing Assessment Decision Aids. In these cases, use the ACAT or SEAT to determine if surveillance retargeting or initiation of the RMP is appropriate.

E. Reporting. Whenever the decision aids provided in Figure 125-2 or 125-3 are used to evaluate the balance between an air carriers resources and operational requirements, the following reporting procedures will be used:

(1) Regional divisions must notify Flight Standards headquarters (specifically AFS-200, AFS-300, and AFS-900) when they are informed of the use of the decision aids contained in Figure 125-2 or 125-3 in their region that resulted in a moderate or low score (i.e., the retargeting of resources or the initiation of a risk management plan). Regional divisions should also notify Flight Standards headquarters when they are aware of significant risks developing in any of the carriers in their region.

(2) Whenever the CHDO manager or PI complete the decision aids contained in Figures 125-2 or 125-3, they must provide the following information to their regional division:

- The indicators or set of general stressors that lead to completing the applicable decision aid
- The results of the decision aid, including the score that resulted from accomplishing the decision aid
- Any actions taken or planned to address any identified risks (e.g., take no action at this time, retarget, prepare an RMP, etc.)

6. TASK OUTCOMES. Recording of any findings pertaining to evaluations, assessments, and target surveillance associated with tracking conditions discussed in this chapter will be accomplished in the PTRS or ATOS Data Repository, according to standard instructions pertaining to those systems.

7. FUTURE ACTIVITIES. Surveillance.

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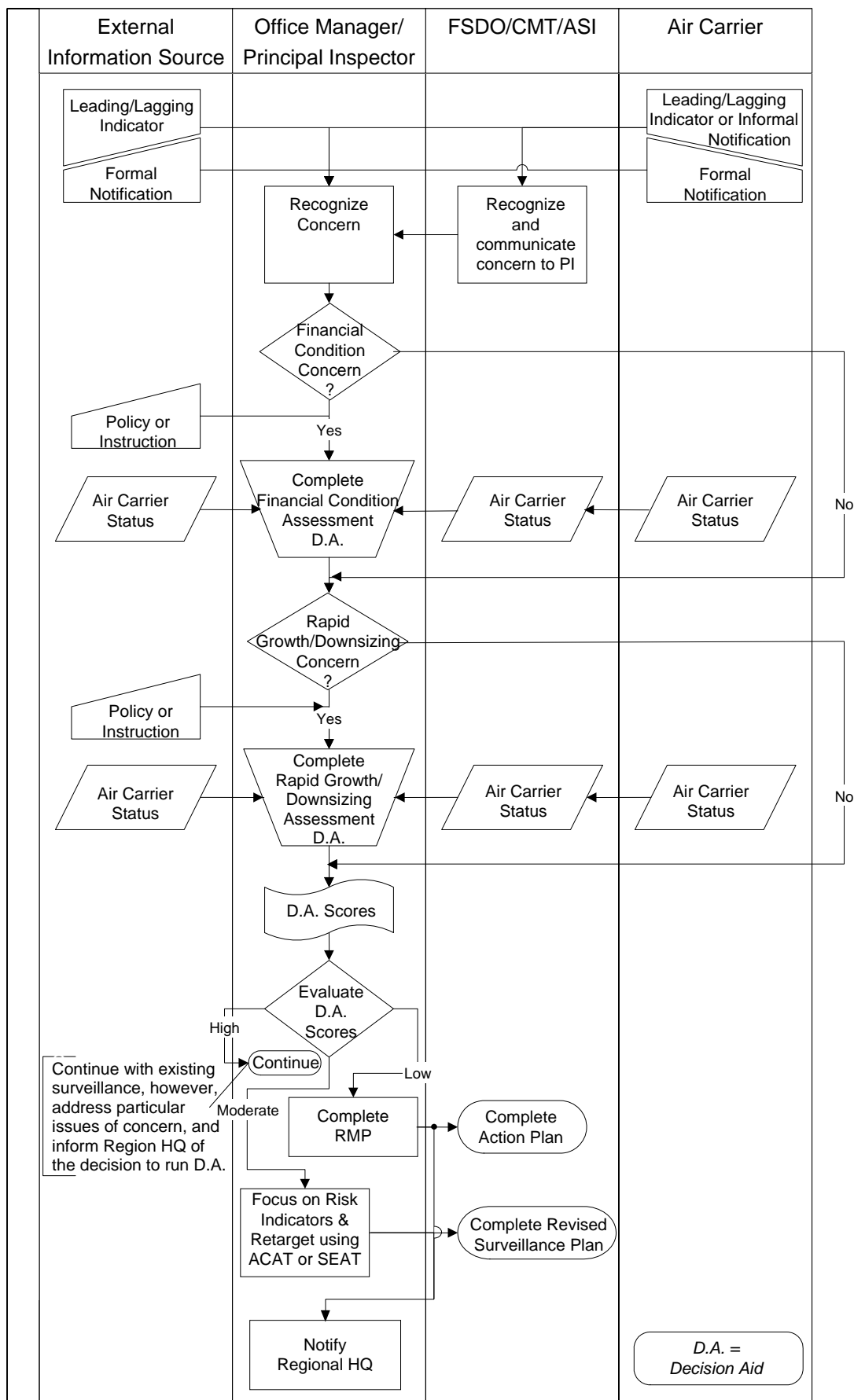
FIGURE 125-1. OVERSIGHT OF CHANGE MANAGEMENT—PROCESS MAP

FIGURE 125-2. FINANCIAL CONDITION ASSESSMENT DECISION AID

1. INTRODUCTION. While there is no strict definition of “financial distress,” the following conditions or events may be indicators of financial problems in the company. Particularly where multiple indicators or multiple examples of single indicators are observed, inspectors should consider more in-depth inquiries with air carrier management or targeted surveillance to determine possible impacts on affected programs or air carrier systems.

The Financial Condition Assessment Decision Aid evaluates the degree of financial distress being experienced by the air carrier. This Decision Aid asks the user to match the air carrier’s condition or characteristics with a series of word pictures that address several dimensions. Each dimension results in a score that when taken together produces a scoring range that indicates the financial health of the operator.

2. INSTRUCTIONS. Rate each of the nine issues in paragraphs A–I below based on information available and your knowledge of the certificate holder. Once all issues have been assessed, use the table in paragraph 3 to determine the results of this assessment.

A. Financial Stability.

- (1) Deferment of discretionary spending (capital expenditure, training, advertising, etc.).
- (2) Sale of assets (spare parts, aircraft, lease back, etc.).
- (3) Loss of valuable suppliers.

Score	Word Picture
1-2	The certificate holder is experiencing all three of the above financial stability issues.
3-5	The certificate holder is experiencing two of the three above financial stability issues.
6-7	The certificate holder is experiencing one of the three above financial stability issues.
8-9	The certificate holder is NOT experiencing any of the three above financial stability issues.
10	The certificate holder is financially stable.

FIGURE 125-2. FINANCIAL CONDITION ASSESSMENT DECISION AID—Continued*B. Changes in Management, Turnover in Personnel, and Reduction in Workforce.*

(1) Significant reduction of executive management and/or new executive management qualifications and expertise.

(2) Significant reduction of mid-level management and technical and support personnel (includes planners, auditors, engineers, training designers, analysts, accountants, programmers, quality assurance, etc.) and/or new mid-level management and technical and support personnel qualifications.

(3) Significant reduction of other personnel (excluding executive management, mid-level management, technical and support personnel) and/or new other personnel (excluding executive management, mid-level management, technical and support personnel) qualifications and expertise.

Score	Word Picture
1-2	The certificate holder is experiencing all three of the above changes.
3-5	The certificate holder is experiencing two of the three changes.
6-7	The certificate holder is experiencing one of the three changes.
8-9	The certificate holder is not experiencing any of the three above changes.
10	The certificate holder has a very stable workforce.

FIGURE 125-2. FINANCIAL CONDITION ASSESSMENT DECISION AID—Continued*C. Other Areas Reflecting Change in the Carrier Status.*

- (1) Not meeting Civil Reserve Air Fleet (CRAF) obligations.
- (2) Relationship between the operator and its labor unions is declining.
- (3) The operator's load factor rate is decreasing.
- (4) The operator's dispatch reliability is declining.
- (5) The operator's cancellation and delay rates are increasing.
- (6) The operator's aircraft utilization rates are decreasing.
- (7) The operator's route structure maintenance including stations and facilities is of concern.

Score	Word Picture
1-2	The certificate holder is experiencing five or more of the above issues.
3-5	The certificate holder is experiencing three or four of the above issues.
6-7	The certificate holder is experiencing one or two of the above issues.
8-9	The certificate holder is NOT experiencing any of the seven above issues.
10	The certificate holder is operationally very stable.

D. Safety Programs.

- (1) The operator's internal evaluation program is ineffective.
- (2) The operator is not using existing safety systems, including risk management, effectively.
- (3) The operator's cooperative relationship with the FAA certificate management team is declining.

Score	Word Picture
1-2	The certificate holder is experiencing all three of the above issues and/or adequate safety programs do not exist.
3-5	The certificate holder is experiencing two of the three above issues.
6-7	The certificate holder is experiencing one of the three above issues.
8-9	The certificate holder is NOT experiencing any of the three above issues.
10	The certificate holder possesses stable safety programs.

FIGURE 125-2. FINANCIAL CONDITION ASSESSMENT DECISION AID—Continued*E. Air Carrier Programs.*

- (1) The operator's maintenance inspection department/system is inadequately staffed and/or managed.
- (2) The performance of the operator's maintenance of its CASS and/or performance monitoring system is declining.

Score	Word Picture
1-2	The certificate holder is experiencing both of the above issues.
3-5	A major concern exists about the certificate holder regarding one of the above issues.
6-7	A concern exists about the certificate holder regarding one of the above issues.
8-9	A minor concern exists about the certificate holder regarding one of the above issues.
10	The air carrier programs are stable.

F. Current Compliance Status.

- (1) The compliance culture of the operator is declining.
- (2) The number of operator self-disclosures and ASAP event reports are increasing.
- (3) The number of complaints against the operator are increasing.
- (4) The number of pending Enforcement Actions are increasing.
- (5) The number of regulatory enforcement actions are increasing.

Score	Word Picture
1-2	The certificate holder is experiencing four or five of the above issues.
3-5	The certificate holder is experiencing two or three of the above issues.
6-7	The certificate holder is experiencing one of above issues.
8-9	The certificate holder is NOT experiencing any of the above issues.
10	The certificate holder is compliant.

FIGURE 125-2. FINANCIAL CONDITION ASSESSMENT DECISION AID—Continued*G. Accidents/Incidents/Occurrences.*

Score	Word Picture
1-2	The number of accidents/incidents/occurrences the certificate holder is experiencing is of high concern.
3-5	The number of accidents/incidents/occurrences the certificate holder is experiencing is of moderate concern.
6-7	The number of accidents/incidents/occurrences the certificate holder is experiencing is of low concern.
8-9	The number of accidents/incidents/occurrences the certificate holder is experiencing is of no concern.
10	The certificate holder has not experienced any accidents/incidents/occurrences.

H. Aircraft Acquisitions.

- (1) Significant or sudden fleet reduction.
- (2) The average age of the operator's fleet is high.
- (3) The number of fleets operated is high or increasing.
- (4) The operator's maintenance of lease aircraft is declining.
- (5) The operator is continuing to take delivery of new aircraft.
- (6) The operator is not adhering to existing maintenance program intervals.

Score	Word Picture
1-2	The certificate holder is experiencing five or more of the above issues.
3-5	The certificate holder is experiencing three or four of the above issues.
6-7	The certificate holder is experiencing one or two of the above issues.
8-9	The certificate holder is NOT experiencing any of the six above issues.
10	The certificate holder's fleet is operationally stable.

FIGURE 125-2. FINANCIAL CONDITION ASSESSMENT DECISION AID—Continued**I. Outsourcing.**

- (1) The number and quality of substantial maintenance providers is of concern.
- (2) Outsourced flight crew training quality is of concern.
- (3) Outsourced cabin crew training quality is of concern.
- (4) Outsourced dispatcher training quality is of concern.
- (5) Outsourced maintenance personnel training quality is of concern.
- (6) Outsourced ramp/ground training quality is of concern.

Score	Word Picture
1-2	The certificate holder is experiencing five or more of the above issues.
3-5	The certificate holder is experiencing three or four of the above issues.
6-7	The certificate holder is experiencing one or two of the above issues.
8-9	The certificate holder is NOT experiencing any of the six above issues.
10	The certificate holder's outsourcing quality is acceptable and/or the certificate holder is NOT outsourcing the above-mentioned functions.

3. OVERALL SCORE. After all the questions have been answered, add all the scores to obtain the overall score. Using the table below, determine what actions are necessary to ensure adequate surveillance is being planned for the operator.

Overall Score	Actions
9-45	The operator seems to have major financial distress issues. Begin a risk management process immediately and closely track all issues of concern.
46-71	The operator seems to have some financial distress issues. Use an ACAT or SEAT to further determine a course of action.
72-90	The operator does not seem to have any substantial financial distress issues. However, if particular areas of concern exist, then those must be addressed.

FIGURE 125-3. RAPID GROWTH/DOWNSIZING ASSESSMENT DECISION AID

1. INTRODUCTION. Air carriers may make adjustments in their fleets, personnel, or operations in the normal course of business, either in response to environmental necessities or to enhance their business posture. These are usually normal events in the course of healthy business. However, if organizational structures and support resources do not keep pace with the scope and tempo of operations, safety problems can occur. Whether operations are growing without additional support resources, or if resources are shrinking under an unchanging operational tempo, there may be a mismatch of resources to requirements. A mismatch of resources and requirements may also occur if rapid growth is occurring in certain areas of the air carrier's operation with simultaneous rapid downsizing in other areas. Particularly where multiple indicators or multiple examples of single indicators are observed, inspectors should consider more in-depth inquiries with air carrier management or targeted surveillance to determine possible impacts on affected programs or air carrier systems. Additional information in this area is also contained in HBAT 98-36/HBAW 98-21, Monitoring Operators During Periods of Growth or Major Change.

This decision aid is used to evaluate the degree of change in the scope and scale of air carrier operations (growth or downsizing) being experienced by the air carrier. This decision aid asks the user to match the air carrier's condition or characteristics with a series of word pictures that address several dimensions. Each dimension results in a score that when taken together produces a scoring range from high to low.

2. INSTRUCTIONS. Rate each of the eight issues in paragraphs A–H below based on information available and your knowledge of the certificate holder. Keep in mind that the degree of change is being assessed. That change may be due to either growth or reduction, thus a low score could be assigned based on the high risk experienced because of significant growth or significant downsizing. Once all the issues have been assessed, use the table on the last page to determine the results of this assessment.

A. Changes in Fleet Size.

Score	Word Picture
1-2	The fleet size growth rate or reduction rate is significantly above the historical average.
3-5	The fleet size growth rate or reduction rate is above the historical average.
6-7	The fleet size growth rate or reduction rate is equal or comparable to the historical average.
8-9	The fleet size growth rate or reduction rate is below historical average.
10	The fleet size growth rate or reduction rate is significantly below historical average.

FIGURE 125-3. RAPID GROWTH/DOWNSIZING ASSESSMENT DECISION AID—Continued*B. Changes in Aircraft Utilization.*

Score	Word Picture
1-2	The overall aircraft utilization is significantly above historical average.
3-5	The overall aircraft utilization is above historical average.
6-7	The overall aircraft utilization is equal or comparable to the historical average.
8-9	The overall aircraft utilization is below historical average.
10	The overall aircraft utilization is significantly below historical average.

C. Changes in Fleet Composition.

Score	Word Picture
1-2	Changes to the fleet composition significantly increase the complexity.
3-5	Changes to the fleet composition increase the complexity.
6-7	Changes to the fleet composition do not affect the complexity.
8-9	Changes to the fleet composition decrease the complexity.
10	Changes to the fleet composition significantly decrease the complexity.

FIGURE 125-3. RAPID GROWTH/DOWNSIZING ASSESSMENT DECISION AID—Continued*D. Changes in Personnel.*

Score	Word Picture
1-2	The number of key employees (e.g., mechanics, supervisors, auditors) relative to fleet size is significantly less than the historical average.
3-5	The number of key employees (e.g., mechanics, supervisors, auditors) relative to fleet size is less than the historical average.
6-7	The number of key employees (e.g., mechanics, supervisors, auditors) relative to fleet size is equal or comparable to historical average.
8-9	The number of key employees (e.g., mechanics, supervisors, auditors) relative to fleet size is greater than the historical average.
10	The number of key employees (e.g., mechanics, supervisors, auditors) relative to fleet size is significantly greater than the historical average.

E. Changes in Route Structure (Domestic and International).

Score	Word Picture
1-2	The change to the number of routes (growth or reduction) is significantly above historical average.
3-5	The change to the number of routes (growth or reduction) is above historical average.
6-7	The change to the number of routes (growth or reduction) is equal or comparable to historical average.
8-9	The change to the number of routes (growth or reduction) is below historical average.
10	The change to the number of routes is (growth or reduction) significantly below historical average.

FIGURE 125-3. RAPID GROWTH/DOWNSIZING ASSESSMENT DECISION AID—Continued*F. Changes in Departure/Frequency (Domestic and International).*

Score	Word Picture
1-2	The change to the number of departures (growth or reduction) is significantly above historical average.
3-5	The change to the number of departures (growth or reduction) is above historical average.
6-7	The change to the number of departures (growth or reduction) is equal or comparable to historical average.
8-9	The change to the number of departures (growth or reduction) is below historical average.
10	The change to the number of departures (growth or reduction) is significantly below historical average.

G. Maintenance and Ground Support.

- (1) Shortage of ground support equipment is of concern.
- (2) Increased MEL items or MEL extensions are of concern.
- (3) Increased use of short-term escalations is of concern.
- (4) Decreased aircraft dispatch reliability is of concern.
- (5) Increased maintenance delays are of concern.

Score	Word Picture
1-2	The certificate holder is experiencing four or more of the above issues.
3-5	The certificate holder is experiencing two or three of the above issues.
6-7	The certificate holder is experiencing one or two of the above issues.
8-9	The certificate holder is not experiencing any of the five above issues.
10	The certificate holder's maintenance and ground support is very stable.

FIGURE 125-3. RAPID GROWTH/DOWNSIZING ASSESSMENT DECISION AID—Continued*H. Resource Management.*

- (1) Backlogged training and flight checks are of concern.
- (2) Delays due to crew availability is of concern.
- (3) Duty time and crew rest management are of concern.
- (4) Increased use of overtime is of concern.
- (5) Shortage of service personnel is of concern.
- (6) Inexperience of key personnel is of concern.

Score	Word Picture
1-2	The certificate holder is experiencing four or more of the above issues.
3-5	The certificate holder is experiencing two or three of the above issues.
6-7	The certificate holder is experiencing one or two of the above issues.
8-9	The certificate holder is not experiencing any of the six above issues.
10	The certificate holder's personnel resource management is acceptable.

3. OVERALL SCORE. After all issues have been assessed, add the scores from each section to obtain the overall score. Using the table below, determine what actions are necessary to ensure adequate surveillance is being planned for the operator. Consider whether the most significant changes that factored into the scoring were due to rapid growth, downsizing, or simultaneous combination of both, in order to assist in identification of the change condition at the air carrier and subsequent determination of course of action.

Score	Word Picture
8-39	The operator seems to have major rapid growth or downsizing issues. Begin a risk management process immediately and closely track all issues of concern.
40-54	The operator seems to have some rapid growth or downsizing issues. Use an ACAT or SEAT to further determine a course of action.
55-80	The operator does not seem to have any substantial rapid growth or downsizing issues. However, if particular areas of concern exist, then those must be addressed.